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GENERAL INTELLIGENCE AGENCY

REPORT NO.

INFORMATION REPORT

SEP 30 101 PM '49

CB NO.

25X1A

COUNTRY Cuba

DATE DISTR. 3 OCT 49

SUBJECT Comments of Senator Jose Manuel Aleman on Cuban Political Situation Document No. 5

NO. OF PAGES 2

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PLACE ACQUIRED [REDACTED]

NO. OF ENCLS.
(LISTED BELOW)NO CHANGE in Class.
 DECLASSIFIEDClass. CHANGED TO: TS
DDA Memo, 4 Apr 77
th: DDA REG. 77-1763SUPPLEMENT TO
REPORT NO.

25X1C

DATE OF INFO. [REDACTED]

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1. Senator Jose Manuel Aleman stated that changes in the Cuban cabinet will be made before there is any Congressional agreement on the projected \$100,000,000 loan. The Administration recently sounded him out to determine whether he would be willing to have such cabinet changes follow Congressional approval of the loan, but he replied that cabinet changes should come first. Despite statements made in the press to the contrary, there will be no settlement of the loan problem within the next few days. A policy meeting of Autentico Senators scheduled for early this week was abandoned after Prime Minister Varela called Aleman by telephone and learned that the latter was not yet ready to discuss this loan.
2. Aleman pointed out that Congress was set to convene September 19 and the first week would be occupied principally with organizational matters. It may not be necessary therefore for the government to come to any specific decision with reference to cabinet changes until the first days of October, but such a decision will be necessary before the loan question is settled.
3. Senator Aleman had a long conference with Virgilio Perez, Minister of Agriculture, at Aleman's finca on 12 September. Aleman claims that he practically convinced Perez that the loan would bring few benefits to Cuba. The public has been led to believe that the securing of the loan will immediately correct the financial structure of the country, whereas, on the contrary, a good share of the money will go into work projects and to cover deficits so that it will not reach the people directly at all. He has also counseled legislators from other provinces not to back the loan but simply to state that they are in accordance with the principle behind it. He feels that it is ill-advised for any legislator from the other provinces to give political support to a loan the proceeds of which are practically all earmarked for expenditure in Habana.
4. Aleman stated he will not oppose the loan provided the cabinet changes are made but that he simply wished to point out that it would not have the helpful effect commonly accorded it.
5. Senator Aleman stated that it is not his intention to fight the Prio administration and it is for that reason that he has not given any names to Prio as possible cabinet replacements. He simply wished individuals removed whom he believes to be incompetent. Aleman related that he had pointed out to former

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President Grau during their long interview on 12 September that it would be unwise for either Grau or himself to fight the Prio administration since they themselves had imposed that administration on Cuba. He said that the failure of the Prio administration to meet the country's needs would reflect directly on themselves. It is for this reason that he wishes to have certain corrective measures taken by the administration but does not wish to fight it openly. He added that he would not be able to approve a loan which simply gave Prio a blank check without specifying the manner in which the money should be spent.

6. In a general discussion of finances, Aleman remarked without any attempt to make his figures precise that the Cuban government had incurred a deficit of \$7,000,000 during the Batista administration. During the Grau regime, it incurred a deficit of \$26,000,000 and this deficit was increased by \$13,000,000 which the Grau administration spent in the election of Prio. This brought the total deficit when Prio took office to about \$46,000,000. According to Aleman, the attempt of the Prio administration to saddle Grau with mishandling of \$174,000,000 is simply an excuse being prepared in advance by Prio to cover his own shortages. Aleman, who speaks frankly of his enrichment while he was connected with the government, commented on the patent absurdity that he and Grau had taken \$174,000,000 and said that Grau had told him on 12 September, "If I took all that money I wonder where it is."
7. According to Aleman's arithmetic, the present Cuban administration is incurring an additional deficit of approximately \$5,000,000 a month. The total intake is approximately \$15,000,000 each month and the total outgo has been between \$20,000,000 and \$21,000,000 each month. During the past few months, the government has been increasingly unable to meet its retirement payments and it has been juggling funds of the sugar workers. All of these machinations are bound to come to light sooner or later. In the meantime, the government is running up a blind alley and looks toward a \$100,000,000 loan as a simple solution to its immediate financial problem rather than as a welfare step for the nation. Aleman remarked without detail that he doubted if the \$100,000,000 spread over the remaining six months of the Prio administration would be sufficient to cover the month-by-month deficit.
8. Senator Aleman stated that in the Senate he is Chairman of the Comision de Hacienda y Presupuesto and that in this position he of course has a right to call for and get any of the Administration's financial documents. He reported that he has on hand definite proof establishing the seriousness of the country's financial situation. He feels that the country is in an artificial state of calm that could end within the next few months in bloodshed. Feeling his own responsibility for the present administration, he hopes to be able to avert such a catastrophe. At the end of September when the sugar workers' salaries again become a moot point the government again will be forced along a financial path it is unable to support. This crisis will simply be the first of a series of financial crises which will inevitably arise within the next six months.
9. Senator Aleman has already made informal comments to government officials and intends to propose to Prio that the latter remove his brother from the Ministry of Hacienda and Aleman will compromise and accept Antonio Prio as a candidate to be Mayor of Habana. Aleman stated quite candidly that he had complete control of Habana and that Antonio Prio would obtain the office without any trouble. Under any circumstances, Mayor Castellanes will not be re-elected. An ideal appointment after the removal of Antonio Prio from the Treasury would be to transfer Carles Hevia to that post. Although Hevia is not a brilliant man, he has a universal reputation for honesty and integrity which would bring a great deal of prestige to the Treasury Ministry and gain Prio the support of responsible people during the coming period of stress. Aleman remarked rather casually that, as though it were a possibility that intrigued him but concerning which he could make no definitely positive assertion, that he would not be at all surprised to see Eddy Chibas in the Grau camp within the next few months.
10. Although Aleman was not at all optimistic about Cuba's immediate future, it was his general idea that if Prio sought to cooperate with the Congress and made the necessary changes to strengthen his cabinet, he might be able to get through the next few months without too much trouble.

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